

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATE CENTER, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Gary Conkin	President	2011
Lisa Breja	Vice President	2011
Wayne Larsen	Board Member	2013
Julie Randall	Board Member	2011
Steve Smith	Board Member	2013
Tom Hemesath	Board Member	2013
Kristine Weitzell	Board Member	2011
<u>School Officials</u>		
Ned Sellers	Superintendent	2014
Stephanie Edler	District Secretary/Treasurer	2011
Rex Ryden	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2011 on our consideration of West Marshall Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Marshall Community School District's basic financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
November 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,541,478 in fiscal 2010 to \$8,058,770 in fiscal 2011, while General Fund expenditures increased from \$7,788,476 in fiscal 2010 to \$7,959,964 in fiscal 2011. The District's General Fund balance increased from \$2,493,783 in fiscal 2010 to \$2,594,568 in fiscal 2011, a 4% increase.
- The increase in General Fund revenues was primarily attributable to an increase in state aid. In fiscal 2010, there was mid-year 10% across-the-board cut in state funding. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Marshall Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Marshall Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Marshall Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Marshall Community School District Annual Financial Report

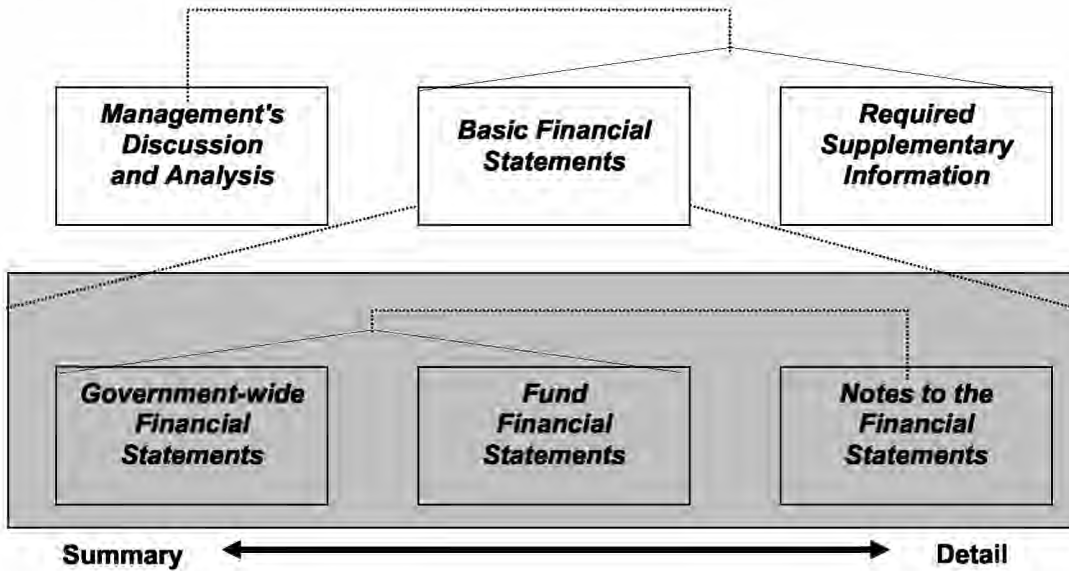


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

Figure A-3

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-11
	\$	\$	\$	\$	\$	\$	
Current and other assets	16,659,823	10,051,426	250,886	223,808	16,910,709	10,275,234	-39.2%
Capital assets	5,465,686	12,545,187	49,792	43,127	5,515,478	12,588,314	128.2%
Total assets	22,125,509	22,596,613	300,678	266,935	22,426,187	22,863,548	1.9%
Long-term liabilities	11,015,442	10,725,663	-	-	11,015,442	10,725,663	-2.6%
Other liabilities	4,275,883	4,335,274	5,890	13,702	4,281,773	4,348,976	1.6%
Total liabilities	15,291,325	15,060,937	5,890	13,702	15,297,215	15,074,639	-1.5%
Net Assets:							
Invested in capital assets, net of related debt	3,430,701	2,035,187	49,792	43,127	3,480,493	2,078,314	-40.3%
Restricted	786,024	2,735,528	-	-	786,024	2,735,528	248.4%
Unrestricted	2,617,459	2,764,961	244,996	210,106	2,862,455	2,975,067	3.9%
TOTAL NET ASSETS	6,834,184	7,535,676	294,788	253,233	7,128,972	7,788,909	9.3%

The District's combined total net assets increased by 9%, or approximately \$659,937, over the prior year. The largest increase was in the capital assets due to the construction in progress.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$1,949,504, or 248%, over the prior year. The increase is due primarily to the reclassification of the capital projects funds to restricted rather than netting these amounts to capital assets since there are no related assets at this time.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$112,612, or 4%.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2011.

Figure A-4

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	674,744	801,257	245,898	261,569	920,642	1,062,826	15.4%
Operating grants & contributions	1,675,064	1,196,688	193,425	168,833	1,868,489	1,365,521	-26.9%
Capital grants & contributions	7,394	-	-	-	7,394	-	-100%
General Revenues:							
Property taxes	2,158,982	2,489,168	-	-	2,158,982	2,489,168	15.3%
Income Surtax	335,117	327,237	-	-	335,117	327,237	-2.4%
Statewide sales & services tax	560,257	567,006	-	-	560,257	567,006	1.2%
Unrestricted state and federal grants	2,985,104	3,737,787	-	-	2,985,104	3,737,787	25.2%
Unrestricted investment earnings	169,662	221,983	2,639	2,199	172,301	224,182	30.1%
Other revenue	4,776	88,784	-	-	4,776	88,784	1759.0%
Total Revenues	8,571,100	9,429,910	441,962	432,601	9,013,062	9,862,511	9.4%
Expenses:							
Instruction	5,048,790	5,167,008	-	-	5,048,790	5,167,008	2.3%
Support services	2,650,546	2,536,871	-	10,229	2,650,546	2,547,100	-3.9%
Non-instructional programs	-	-	359,468	463,927	359,468	463,927	29.1%
Other expenditures	710,532	1,024,539	-	-	710,532	1,024,539	44.2%
Total expenses	8,409,868	8,728,418	359,468	474,156	8,769,336	9,202,574	4.9%
Change in net assets before Transfers	161,232	701,492	82,494	(41,555)	243,726	659,937	170.8%
Transfers	(7,520)	-	7,520	-	-	-	
CHANGE IN NET ASSETS	153,712	701,492	90,014	(41,555)	243,726	659,937	170.8%
Net assets beginning of year, as restated	6,680,472	6,834,184	204,774	294,788	6,885,246	7,128,972	3.5%
Net assets end of year	6,834,184	7,535,676	294,788	253,233	7,128,972	7,788,909	9.3%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,429,910 and expenses were \$8,728,418.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2010	2011	Change	2010	2011	Change
	\$	\$	2010-2011	\$	\$	2010-2011
Instruction	5,048,790	5,167,008	2.3%	3,077,931	3,624,074	17.7%
Support Services	2,650,546	2,536,871	4.3%	2,643,802	2,465,603	-6.7%
Non-instructional Programs	-	-		-	-	
Other Expenses	710,532	1,024,539	44.2%	330,933	640,796	93.6%
TOTAL	8,409,868	8,728,418	3.8%	6,052,666	6,730,473	11.2%

- The cost financed by users of the District's programs was \$801,257. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,196,688.
- The net cost of governmental activities was financed primarily with \$3,383,411 in property and other local taxes and \$3,737,787 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$432,601 and expenses were \$474,156. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District increased meal prices. The increase ranged from \$0.10 to \$0.15.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,609,069, as compared to last year's ending fund balances of \$12,287,801. The primary reason for the decrease is due to bonds being sold for construction in the Capital Projects Fund in 2010 and the proceeds being used primarily in 2011.

Governmental Fund Highlights

- The General Fund balance increased from \$2,493,783 to \$2,594,568, or 4%. This is due largely to an increase in state aid as well as controlling the discretionary spending.

- The Capital Projects Fund balance decreased from \$9,369,205 in 2010 to \$2,274,752 in 2011 due to the sale of bonds to fund the middle school construction project in 2010 and spending the proceeds for construction in 2011.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$294,788 at June 30, 2010, to \$253,233 at June 30, 2011, representing a decrease of approximately 14%. The District increased meal prices in 2011 as well as preschool tuition. The District is looking to increase the tuition again in 2012. The decrease in net assets is due primarily to payment of a share of the construction of the new middle school kitchen.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did amend its annual budget.

The District's receipts were \$154,508 more than budgeted receipts. The District's expenditures were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$12.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 128% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$220,855.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2010	2011	2010	2011	2010	2011	2010-2011
	\$	\$	\$	\$	\$	\$	
Land	125,000	125,000	-	-	125,000	125,000	0%
Construction in progress	1,313,131	8,239,127	-	-	1,313,131	8,244,818	527.9%
Buildings	3,535,924	3,714,606	-	-	3,535,924	3,714,606	5.1%
Improvements	349,495	330,193	-	-	349,495	331,003	-5.3%
Equipment & Furniture	142,136	136,261	49,792	43,127	191,928	179,388	-6.5%
TOTAL	5,465,686	12,545,187	49,792	43,127	5,515,478	12,588,314	128.2%

Long-Term Debt

At June 30, 2011 the District had \$10,725,663 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There were two employees that took advantage of the District's Early Retirement Policy at the end of the 2010-11, one more than the prior year. The outstanding long-term obligation is largely due to the bonds sold in 2010 to fund the middle school construction project.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2010	2011	2010-2011
	\$	\$	
General Obligation Bonds	4,930,000	4,610,000	-6.5%
Revenue bonds	5,900,000	5,900,000	0%
Termination benefits	178,650	196,800	10.2%
Other postemployment benefits (OPEB)	6,792	18,863	177.7%
	11,015,442	10,725,663	-2.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of one existing circumstance that could significantly affect its financial health in the future:

- The District was nearing the end of the construction of a new middle school building and remodeling of the existing middle school building.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ned Sellers, Superintendent, West Marshall Community School District, 601 3rd St. NW, PO Box 670, State Center, IA 50247.

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Basic Financial Statements

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 6,755,771	\$ 209,204	\$ 6,964,975
Receivables:			
Property tax:			
Current year	36,236	-	36,236
Succeeding year	2,651,834	-	2,651,834
Income surtax	306,071	-	306,071
Accounts	72,096	-	72,096
Due from other governments	189,025	-	189,025
Inventories	-	14,604	14,604
Bond issue costs	40,393	-	40,393
Capital assets, net of accumulated depreciation (note 4)	12,545,187	43,127	12,588,314
Total assets	22,596,613	266,935	22,863,548
Liabilities			
Accounts payable	603,417	-	603,417
Salaries and benefits payable	716,042	7,688	723,730
Accrued interest payable	137,912	-	137,912
Deferred revenue:			
Succeeding year property tax	2,651,834	-	2,651,834
Other	124,083	6,014	130,097
Bond premium	101,986	-	101,986
Long-term liabilities (notes 5 and 6):			
Portion due within one year:			
Early retirement	60,350	-	60,350
Bonds payable	350,000	-	350,000
Portion due after one year:			
Early retirement	136,450	-	136,450
Bonds payable	10,160,000	-	10,160,000
Net OPEB liability	18,863	-	18,863
Total liabilities	15,060,937	13,702	15,074,639

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,035,187	\$ 43,127	\$ 2,078,314
Restricted for:			
Categorical funding (note 10)	55,739	-	55,739
Management levy	13,674	-	13,674
Physical plant and equipment levy	76,274	-	76,274
Student activities	134,460	-	134,460
Debt service	765,803	-	765,803
Capital projects	1,689,578	-	1,689,578
Unrestricted	2,764,961	210,106	2,975,067
Total net assets	\$ 7,535,676	\$ 253,233	\$ 7,788,909

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction	\$ 5,167,008	\$ 745,557	\$ 797,377
Support services:			
Student services	315,492	-	359
Instructional staff services	290,322	-	2,600
Administration services	775,358	-	1,146
Operation and maintenance of plant services	651,765	54,265	-
Transportation services	503,934	1,435	11,463
	<u>2,536,871</u>	<u>55,700</u>	<u>15,568</u>
Other expenditures:			
Facilities acquisition	44,137	-	-
Long-term debt interest and fiscal charges	424,542	-	-
AEA flowthrough	383,743	-	383,743
Depreciation (unallocated) *	172,117	-	-
	<u>1,024,539</u>	<u>-</u>	<u>383,743</u>
Total governmental activities	<u>8,728,418</u>	<u>801,257</u>	<u>1,196,688</u>
Business-Type Activities:			
Support services:			
Food service operations	<u>10,229</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	417,034	207,350	168,833
Preschool operations	46,893	54,219	-
	<u>463,927</u>	<u>261,569</u>	<u>168,833</u>
Total business-type activities	<u>474,156</u>	<u>261,569</u>	<u>168,833</u>
Total	\$ 9,202,574	\$ 1,062,826	\$ 1,365,521

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (3,624,074)	\$ -	\$ (3,624,074)
<hr/>		
(315,133)	-	(315,133)
(287,722)	-	(287,722)
(774,212)	-	(774,212)
(597,500)	-	(597,500)
(491,036)	-	(491,036)
(2,465,603)	-	(2,465,603)
<hr/>		
(44,137)	-	(44,137)
(424,542)	-	(424,542)
-	-	-
(172,117)	-	(172,117)
(640,796)	-	(640,796)
<hr/>		
(6,730,473)	-	(6,730,473)
<hr/>		
-	(10,229)	(10,229)
<hr/>		
-	(40,851)	(40,851)
-	7,326	7,326
-	(33,525)	(33,525)
<hr/>		
-	(43,754)	(43,754)
<hr/>		
(6,730,473)	(43,754)	(6,774,227)
<hr/>		

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 2,166,450	\$ -	\$ 2,166,450
250,091	-	250,091
72,627	-	72,627
327,237	-	327,237
567,006	-	567,006
3,737,787	-	3,737,787
221,983	2,199	224,182
88,784	-	88,784
<u>7,431,965</u>	<u>2,199</u>	<u>7,434,164</u>
701,492	(41,555)	659,937
<u>6,834,184</u>	<u>294,788</u>	<u>7,128,972</u>
<u>\$ 7,535,676</u>	<u>\$ 253,233</u>	<u>\$ 7,788,909</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 3,403,292	\$ 2,618,394	\$ 733,568	\$ 6,755,254
Receivables:				
Property tax:				
Current year	29,024	1,031	6,181	36,236
Succeeding year	2,225,531	75,404	350,899	2,651,834
Income surtax	306,071	-	-	306,071
Accounts	72,096	-	-	72,096
Due from other governments	77,755	111,270	-	189,025
Total assets	\$ 6,113,769	\$ 2,806,099	\$ 1,090,648	\$ 10,010,516
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 147,474	\$ 455,943	\$ -	\$ 603,417
Salaries and benefits payable	716,042	-	-	716,042
Deferred revenue:				
Succeeding year property tax	2,225,531	75,404	350,899	2,651,834
Other	430,154	-	-	430,154
Total liabilities	3,519,201	531,347	350,899	4,401,447
Fund balances:				
Restricted for:				
Categorical funding (note 10)	55,739	-	-	55,739
Debt service	-	508,900	394,815	903,715
Management levy purposes	-	-	210,474	210,474
Student activities	-	-	134,460	134,460
School infrastructure	-	1,448,546	-	1,448,546
Physical plant and equipment	-	76,274	-	76,274
Capital projects	-	241,032	-	241,032
Unassigned	2,538,829	-	-	2,538,829
Total fund balances	2,594,568	2,274,752	739,749	5,609,069
Total liabilities and fund balances	\$ 6,113,769	\$ 2,806,099	\$ 1,090,648	\$ 10,010,516

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 5,609,069
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,545,187
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	306,071
An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	517
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(137,912)
Long-term liabilities, including early retirement, bonds payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,787,256)</u>
Net assets of governmental activities	<u>\$ 7,535,676</u>
See notes to financial statements.	

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,306,398	\$ 639,634	\$ 430,240	\$ 3,376,272
Tuition	557,912	-	-	557,912
Other	261,131	146,768	145,379	553,278
Intermediate sources	5,475	-	-	5,475
State sources	4,551,255	-	-	4,551,255
Federal sources	376,599	-	-	376,599
Total revenues	<u>8,058,770</u>	<u>786,402</u>	<u>575,619</u>	<u>9,420,791</u>
Expenditures:				
Current:				
Instruction	<u>4,947,970</u>	-	193,713	<u>5,141,683</u>
Support services:				
Student services	315,492	-	-	315,492
Instructional staff services	290,322	-	-	290,322
Administration services	779,883	-	-	779,883
Operation and maintenance of plant services	759,927	-	56,550	816,477
Transportation services	482,627	-	9,729	492,356
	<u>2,628,251</u>	-	66,279	<u>2,694,530</u>
Other expenditures:				
Facilities acquisition	-	7,132,946	-	7,132,946
Long term debt:				
Principal	-	-	320,000	320,000
Interest and fiscal charges	-	-	428,600	428,600
AEA flowthrough	383,743	-	-	383,743
	<u>383,743</u>	<u>7,132,946</u>	<u>748,600</u>	<u>8,265,289</u>
Total expenditures	<u>7,959,964</u>	<u>7,132,946</u>	<u>1,008,592</u>	<u>16,101,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>98,806</u>	<u>(6,346,544)</u>	<u>(432,973)</u>	<u>(6,680,711)</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 1,979	\$ -	\$ -	\$ 1,979
Interfund transfers in (note 3)	-	-	747,909	747,909
Interfund transfers out (note 3)	-	(747,909)	-	(747,909)
Total other financing sources (uses)	<u>1,979</u>	<u>(747,909)</u>	<u>747,909</u>	<u>1,979</u>
Net change in fund balances	100,785	(7,094,453)	314,936	(6,678,732)
Fund balances beginning of year, as restated (note 12)	<u>2,493,783</u>	<u>9,369,205</u>	<u>424,813</u>	<u>12,287,801</u>
Fund balances end of year	<u>\$ 2,594,568</u>	<u>\$ 2,274,752</u>	<u>\$ 739,749</u>	<u>\$ 5,609,069</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (6,678,732)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 7,291,893	
Depreciation expense	<u>(212,392)</u>	7,079,501

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 7,140

An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The net expense of the internal service fund is reported with governmental activities. (254)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 320,000

Interest on long-term debt and amortization of bond issuance costs and bond premiums in the Statement of Activities differs from the amount reported in the governmental funds because interest and amortization are recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,058

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(18,150)	
Net OPEB liability	<u>(12,071)</u>	<u>(30,221)</u>

Change in net assets of governmental activities \$ 701,492

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Assets				
Cash and cash equivalents	\$ 133,175	\$ 76,029	\$ 209,204	\$ 517
Inventories	14,604	-	14,604	-
Capital assets, net of accumulated depreciation (note 4)	43,127	-	43,127	-
Total assets	<u>190,906</u>	<u>76,029</u>	<u>266,935</u>	<u>517</u>
Liabilities				
Salaries and benefits payable	692	6,996	7,688	-
Deferred revenue	6,014	-	6,014	-
Total liabilities	<u>6,706</u>	<u>6,996</u>	<u>13,702</u>	<u>-</u>
Net Assets				
Invested in capital assets	43,127	-	43,127	-
Unrestricted	141,073	69,033	210,106	517
Total net assets	<u>\$ 184,200</u>	<u>\$ 69,033</u>	<u>\$ 253,233</u>	<u>\$ 517</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 207,350	\$ 54,219	\$ 261,569	\$ 70,248
Operating expenses:				
Support services:				
Purchased services	4,841	-	4,841	70,505
Supplies	5,388	-	5,388	-
	<u>10,229</u>	<u>-</u>	<u>10,229</u>	<u>70,505</u>
Non-instructional programs:				
Salaries	127,509	32,103	159,612	-
Benefits	20,424	10,325	30,749	-
Purchased services	4,326	-	4,326	-
Supplies	255,677	4,465	260,142	-
Depreciation	8,463	-	8,463	-
Other	635	-	635	-
	<u>417,034</u>	<u>46,893</u>	<u>463,927</u>	<u>-</u>
Total operating expenses	<u>427,263</u>	<u>46,893</u>	<u>474,156</u>	<u>70,505</u>
Operating income (loss)	<u>(219,913)</u>	<u>7,326</u>	<u>(212,587)</u>	<u>(257)</u>
Non-operating revenues:				
State sources	4,194	-	4,194	-
Federal sources	164,639	-	164,639	-
Interest income	2,199	-	2,199	3
Total non-operating revenues	<u>171,032</u>	<u>-</u>	<u>171,032</u>	<u>3</u>
Change in net assets	(48,881)	7,326	(41,555)	(254)
Net assets beginning of year	<u>233,081</u>	<u>61,707</u>	<u>294,788</u>	<u>771</u>
Net assets end of year	<u>\$ 184,200</u>	<u>\$ 69,033</u>	<u>\$ 253,233</u>	<u>\$ 517</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 202,860	\$ -	\$ 202,860	\$ -
Cash received from preschool and other services	4,614	54,219	58,833	70,248
Cash payments to employees for services	(147,241)	(35,432)	(182,673)	-
Cash payments to suppliers for goods or services	(249,931)	(4,465)	(254,396)	(70,505)
Net cash provided by (used by) operating activities	<u>(189,698)</u>	<u>14,322</u>	<u>(175,376)</u>	<u>(257)</u>
Cash flows from non-capital financing activities:				
State grants received	4,194	-	4,194	-
Federal grants received	143,651	-	143,651	-
Net cash provided by non-capital financing activities	<u>147,845</u>	<u>-</u>	<u>147,845</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(1,798)</u>	<u>-</u>	<u>(1,798)</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>2,780</u>	<u>-</u>	<u>2,780</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	(40,871)	14,322	(26,549)	(254)
Cash and cash equivalents beginning of year	<u>174,046</u>	<u>61,707</u>	<u>235,753</u>	<u>771</u>
Cash and cash equivalents end of year	<u>\$ 133,175</u>	<u>\$ 76,029</u>	<u>\$ 209,204</u>	<u>\$ 517</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Governmental
	School	Nonmajor		Activities
	Nutrition	Enterprise	Total	Internal
		Fund		Service
				Fund
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (219,913)	\$ 7,326	\$ (212,587)	\$ (257)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	21,874	-	21,874	-
Depreciation	8,463	-	8,463	-
(Increase) in inventories	(938)	-	(938)	-
Increase in salaries and benefits payable	692	6,996	7,688	-
(Decrease) increase in deferred revenue	124	-	124	-
Net cash provided by (used by) operating activities	\$ <u>(189,698)</u>	\$ <u>14,322</u>	\$ <u>(175,376)</u>	\$ <u>(257)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$21,874 of federal commodities.

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

West Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of State Center, Melbourne, Rhodes, Clemons, St. Anthony and Lamoille, Iowa, and portions of the agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Marshall Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Marshall Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

In addition, the District reports a Proprietary Fund, Internal Service to account for the District's partially self-funded insurance and flexible benefits programs.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Bond Issuance Costs/Premium – The issuance costs paid and premiums received on prior bond issues have been capitalized and are being amortized over the life of the associated bond issues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	20-50 years
Intangibles	3-20 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, unearned meal revenues, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned meal revenues and unearned grant revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2011 consists of \$2,735,528.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments (continued)

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>140,641</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>747,909</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in progress	1,313,131	6,925,996	-	8,239,127
Total capital assets not being depreciated	1,438,131	6,925,996	-	8,364,127
Capital assets being depreciated:				
Buildings	7,063,943	321,523	-	7,385,466
Improvements other than buildings	645,917	9,974	-	655,891
Furniture and equipment	1,047,899	34,400	26,499	1,055,800
Total capital assets being depreciated	8,757,759	365,897	26,499	9,097,157
Less accumulated depreciation for:				
Buildings	3,528,019	142,841	-	3,670,860
Improvements other than buildings	296,422	29,276	-	325,698
Furniture and equipment	905,763	40,275	26,499	919,539
Total accumulated depreciation	4,730,204	212,392	26,499	4,916,097
Total capital assets being depreciated, net	4,027,555	153,505	-	4,181,060
Governmental activities capital assets, net	\$ 5,465,686	\$ 7,079,501	\$ -	\$ 12,545,187
Business-type activities:				
Furniture and equipment	\$ 140,666	\$ 1,798	\$ -	\$ 142,464
Less accumulated depreciation	90,874	8,463	-	99,337
Business-type activities capital assets, net	\$ 49,792	\$ (6,665)	\$ -	\$ 43,127

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant services

\$ 4,000

Transportation

36,275

40,275

Unallocated depreciation

172,117

Total governmental activities depreciation expense

\$ 212,392

Business-type activities:

Food service operations

\$ 8,463

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 178,650	\$ 86,600	\$ 68,450	\$ 196,800	\$ 60,350
General obligation bonds	4,930,000	-	320,000	4,610,000	350,000
Revenue bonds	5,900,000	-	-	5,900,000	-
Net OPEB liability	6,792	12,071	-	18,863	-
Total	<u>\$ 11,015,442</u>	<u>\$ 98,671</u>	<u>\$ 388,450</u>	<u>\$ 10,725,663</u>	<u>\$ 410,350</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of consecutive half-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement benefit is a single payment of \$10,000. The payment will be made in one lump sum to a deferred annuity account by the end of July following retirement. The District will also pay a maximum of \$450 per month for the cost of single health insurance until age 65.

At June 30, 2011, the District has obligations to 11 participants with a total liability of \$196,800. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$68,450. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Year Ending June 30,	Interest Rates	Bond issue dated October, 2002		
		Principal	Interest	Total
2012	3.40 %	\$ 270,000	\$ 23,315	\$ 293,315
2013	3.50	265,000	14,135	279,135
2014	3.60	135,000	4,860	139,860
		<u>\$ 670,000</u>	<u>\$ 42,310</u>	<u>\$ 712,310</u>

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated June, 2010		
		Principal	Interest	Total
2012	2.00 %	\$ 80,000	\$ 145,400	\$ 225,400
2013	2.00	100,000	143,800	243,800
2014	2.00	160,000	141,800	301,800
2015	2.50	170,000	138,600	308,600
2016	3.00	175,000	134,350	309,350
2017-2021	3.50-4.00	970,000	577,275	1,547,275
2022-2026	4.00	1,170,000	370,625	1,540,625
2027-2030	4.00-4.125	1,115,000	116,344	1,231,344
		<u>\$ 3,940,000</u>	<u>\$ 1,768,194</u>	<u>\$ 5,708,194</u>
Total		<u>\$ 4,610,000</u>	<u>\$ 1,810,504</u>	<u>\$ 6,420,504</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated January, 2010		
		Principal	Interest	Total
2012	3.50 %	\$ -	\$ 247,705	\$ 247,705
2013	3.50	-	247,705	247,705
2014	3.50	75,000	246,393	321,393
2015	3.50	250,000	240,705	490,705
2016	3.50	260,000	231,780	491,780
2017-2021	3.50-3.75	1,455,000	1,009,325	2,464,325
2022-2026	4.00-4.40	1,780,000	685,700	2,465,700
2027-2030	4.50-4.75	2,080,000	230,625	2,310,625
Total		<u>\$ 5,900,000</u>	<u>\$ 3,139,938</u>	<u>\$ 9,039,938</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bond issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 85 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$9,039,938. For the current year, no principal was paid on the bonds, interest paid on the bonds totaled \$247,705, and total statewide sales, services and use tax revenues were \$567,006.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2019, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 62 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a partially insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	74,402
Interest on net OPEB obligation		170
Adjustment to annual required contribution		<u>(4,639)</u>
Annual OPEB cost		69,933
Contributions made		<u>57,862</u>
Increase in net OPEB obligation		12,071
Net OPEB obligation beginning of year		<u>6,792</u>
Net OPEB obligation end of year	\$	<u><u>18,863</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$57,862 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 69,933	87.7%	\$ 18,863

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$710,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$710,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,040,000, and the ratio of the UAAL to covered payroll was 23.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$329,802, \$307,791, and \$288,488, respectively, equal to the required contributions for each year.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Risk Management

The District partially self-funds health insurance benefits for District employees. The District purchased a health plan with deductibles of \$2,000 for individuals and families while employees see actual deductibles of \$250 and \$500 for single and family policies, respectively. The maximum liability to the District under this arrangement is \$227,500 for the year ended June 30, 2011, and actual payments made totaled \$71,610. The District is exempt from reporting any liabilities for incurred but not reported claims required under Financial Account and Standards Board Statement Number 5 due to the small size of the plan.

In addition, West Marshall Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$383,743 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 33,451
Professional development for model core curriculum	20,235
Salary improvement program	1,775
Non-public text books	224
Professional development	54
Total	<u>\$ 55,739</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$8,936,645 for a middle school addition and remodeling. As of June 30, 2011, costs of \$7,972,938 had been incurred against the contracts. The balance of \$963,707 remaining at June 30, 2011 will be paid as work on the project progresses.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 9,303,915	\$ 65,290
Change in fund type classification per implementation of GASB Statement No. 54	<u>65,290</u>	<u>(65,290)</u>
Balances July 1, 2010, as restated	<u><u>\$ 9,369,205</u></u>	<u><u>\$ -</u></u>

Required Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 4,487,462	\$ 263,768	\$ 4,751,230	\$ 4,368,247	\$ 4,368,247	\$ 382,983
Intermediate sources	5,475	-	5,475	-	-	5,475
State sources	4,551,255	4,194	4,555,449	4,965,637	4,965,637	(410,188)
Federal sources	376,599	164,639	541,238	365,000	365,000	176,238
Total revenues	9,420,791	432,601	9,853,392	9,698,884	9,698,884	154,508
EXPENDITURES/EXPENSES:						
Instruction	5,141,683	-	5,141,683	6,115,000	6,115,000	973,317
Support services	2,694,530	10,229	2,704,759	3,448,000	3,448,000	743,241
Non-instructional programs	-	463,927	463,927	450,000	575,000	111,073
Other expenditures	8,265,289	-	8,265,289	11,139,591	11,139,591	2,874,302
Total expenditures/expenses	16,101,502	474,156	16,575,658	21,152,591	21,277,591	4,701,933
Excess (deficiency) of revenues over (under) expenditures/ expenses	(6,680,711)	(41,555)	(6,722,266)	(11,453,707)	(11,578,707)	4,856,441
Other financing sources, net	1,979	-	1,979	-	-	1,979
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(6,678,732)	(41,555)	(6,720,287)	(11,453,707)	(11,578,707)	4,858,420
Balance beginning of year	12,287,801	294,788	12,582,589	12,547,416	12,547,416	35,173
Balance end of year	\$ <u>5,609,069</u>	\$ <u>253,233</u>	\$ <u>5,862,302</u>	\$ <u>1,093,709</u>	\$ <u>968,709</u>	\$ <u>4,893,593</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$125,000.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 710	\$ 710	0.0%	\$ 2,800	25.4%
2011	July 1, 2009	-	710	710	0.0%	3,040	23.4%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	<u>Special Revenue</u>		<u>Debt</u>	
	<u>Management</u>	<u>Student</u>	<u>Service</u>	<u>Total</u>
	<u>Levy</u>	<u>Activity</u>		
Assets				
Cash and pooled investments	\$ 207,842	\$ 134,460	\$ 391,266	\$ 733,568
Receivables:				
Property tax:				
Current year	2,632	-	3,549	6,181
Succeeding year	125,000	-	225,899	350,899
Total assets	<u>\$ 335,474</u>	<u>\$ 134,460</u>	<u>\$ 620,714</u>	<u>\$ 1,090,648</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 225,899</u>	<u>\$ 350,899</u>
Fund balances:				
Restricted for:				
Debt service	-	-	394,815	394,815
Management levy purposes	210,474	-	-	210,474
Student activities	-	134,460	-	134,460
Total fund balances	<u>210,474</u>	<u>134,460</u>	<u>394,815</u>	<u>739,749</u>
Total liabilities and fund balances	<u>\$ 335,474</u>	<u>\$ 134,460</u>	<u>\$ 620,714</u>	<u>\$ 1,090,648</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue		Debt	
	Management	Student	Service	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 180,149	\$ -	\$ 250,091	\$ 430,240
Other	1,561	143,129	689	145,379
Total revenues	<u>181,710</u>	<u>143,129</u>	<u>250,780</u>	<u>575,619</u>
Expenditures:				
Current:				
Instruction	59,251	134,462	-	193,713
Support services:				
Operation and maintenance of				
plant services	56,550	-	-	56,550
Transportation services	9,729	-	-	9,729
Other expenditures:				
Long term debt:				
Principal	-	-	320,000	320,000
Interest and fiscal charges	-	-	428,600	428,600
Total expenditures	<u>125,530</u>	<u>134,462</u>	<u>748,600</u>	<u>1,008,592</u>
Excess (deficiency) of revenues over				
(under) expenditures	56,180	8,667	(497,820)	(432,973)
Other financing sources (uses):				
Interfund transfers in	-	-	747,909	747,909
Net change in fund balances	56,180	8,667	250,089	314,936
Fund balances beginning of year	<u>154,294</u>	<u>125,793</u>	<u>144,726</u>	<u>424,813</u>
Fund balances end of year	<u>\$ 210,474</u>	<u>\$ 134,460</u>	<u>\$ 394,815</u>	<u>\$ 739,749</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 1,846,176	\$ 75,243	\$ 696,975	\$ 2,618,394
Receivables:				
Property tax:				
Delinquent	-	1,031	-	1,031
Succeeding year	-	75,404	-	75,404
Due from other governments	111,270	-	-	111,270
Total assets	<u>\$ 1,957,446</u>	<u>\$ 151,678</u>	<u>\$ 696,975</u>	<u>\$ 2,806,099</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 455,943	\$ 455,943
Deferred revenue:				
Succeeding year property tax	-	75,404	-	75,404
Total liabilities	<u>-</u>	<u>75,404</u>	<u>455,943</u>	<u>531,347</u>
Fund balances:				
Restricted for:				
Debt service	508,900	-	-	508,900
School infrastructure	1,448,546	-	-	1,448,546
Physical plant and equipment	-	76,274	-	76,274
Capital projects	-	-	241,032	241,032
Total fund balances	<u>1,957,446</u>	<u>76,274</u>	<u>241,032</u>	<u>2,274,752</u>
Total liabilities and fund balances	<u>\$ 1,957,446</u>	<u>\$ 151,678</u>	<u>\$ 696,975</u>	<u>\$ 2,806,099</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 567,006	\$ 72,628	\$ -	\$ 639,634
Other	82,489	138	64,141	146,768
Total revenues	<u>649,495</u>	<u>72,766</u>	<u>64,141</u>	<u>786,402</u>
Expenditures:				
Other expenditures:				
Facilities acquisition	<u>3,306,779</u>	<u>61,782</u>	<u>3,764,385</u>	<u>7,132,946</u>
Excess (deficiency) of revenues over (under) expenditures	(2,657,284)	10,984	(3,700,244)	(6,346,544)
Other financing uses:				
Operating transfers out	<u>(674,409)</u>	-	<u>(73,500)</u>	<u>(747,909)</u>
Net change in fund balances	(3,331,693)	10,984	(3,773,744)	(7,094,453)
Fund balances beginning of year, as restated	<u>5,289,139</u>	<u>65,290</u>	<u>4,014,776</u>	<u>9,369,205</u>
Fund balances end of year	<u>\$ 1,957,446</u>	<u>\$ 76,274</u>	<u>\$ 241,032</u>	<u>\$ 2,274,752</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
6th Grade Store	\$ 141	\$ 2,178	\$ 2,248	\$ 71
Drama	1,866	1,877	503	3,240
Speech	45	300	102	243
Color Guard	95	500	534	61
Cross Country	1,046	1,140	1,442	744
Elementary Renaissance	818	518	195	1,141
Spanish Club	244	-	-	244
Athletic Memberships	367	800	450	717
Golf	1,887	1,760	967	2,680
Basketball	4,853	18,347	21,706	1,494
Volleyball	2,581	3,830	5,264	1,147
Football	19,512	32,004	24,484	27,032
Baseball	1,637	5,386	5,444	1,579
Track	234	3,984	3,881	337
Wrestling	400	4,839	3,409	1,830
Softball	1,755	7,574	7,277	2,052
FFA	61,190	29,950	23,601	67,539
National Honor Society	671	835	909	597
HS Cheerleaders	3,514	266	470	3,310
Dance Team	1,053	-	-	1,053
Class of 2011	985	281	1,266	-
Class of 2012	564	2,028	1,809	783
Class of 2013	-	40	-	40
Class of 2014	-	30	-	30
MS Student Council	2,106	3,963	4,848	1,221
HS Student Council	746	4,041	3,167	1,620
Interest	1,812	(864)	689	259
Annual	10,295	7,850	7,517	10,628
FBLA	981	-	399	582
Ag Day	825	-	254	571
MS Renaissance	2,016	3,197	4,413	800
HS Renaissance	1,155	1,592	2,295	452
FCCLA	399	1,283	1,319	363
Cash on Hand	-	3,600	3,600	-
Total	\$ 125,793	\$ 143,129	\$ 134,462	\$ 134,460

See accompanying independent auditor's report.

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 3,376,272	\$ 3,025,310	\$ 2,984,118	\$ 2,798,167
Tuition	557,912	456,314	528,621	451,647
Other	553,278	395,569	330,592	408,071
Intermediate sources	5,475	6,780	5,700	18,565
State sources	4,551,255	3,914,188	4,654,608	4,267,844
Federal sources	376,599	739,200	164,927	150,082
Total revenues	<u>\$ 9,420,791</u>	<u>\$ 8,537,361</u>	<u>\$ 8,668,566</u>	<u>\$ 8,094,376</u>
Expenditures:				
Instruction	\$ 5,141,683	\$ 5,100,680	\$ 5,182,907	\$ 4,546,804
Support services:				
Student services	315,492	348,493	295,192	289,659
Instructional staff services	290,322	215,543	109,868	186,558
Administration services	779,883	773,205	760,549	725,556
Operation and maintenance of plant services	816,477	832,409	798,197	817,383
Transportation services	492,356	396,565	360,307	408,757
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	7,132,946	1,796,163	253,519	96,529
Long-term debt:				
Principal	320,000	250,000	245,000	230,000
Interest and fiscal charges	428,600	40,295	47,645	54,545
AEA flowthrough	383,743	372,205	325,177	298,826
Total expenditures	<u>\$ 16,101,502</u>	<u>\$ 10,125,558</u>	<u>\$ 8,378,361</u>	<u>\$ 7,654,617</u>

See accompanying independent auditor's report.

	2007	2006	2005	2004
\$	2,849,760	\$ 2,707,089	\$ 2,622,810	\$ 2,445,741
	339,047	332,004	230,457	183,515
	375,346	319,217	397,914	274,350
	-	-	-	-
	4,017,081	3,755,551	3,502,195	3,351,565
	131,078	143,735	78,220	108,264
\$	<u>7,712,312</u>	<u>7,257,596</u>	<u>6,831,596</u>	<u>6,363,435</u>
\$	4,154,733	\$ 3,813,183	\$ 3,816,595	\$ 3,620,129
	298,672	279,759	166,862	248,375
	111,777	110,117	179,497	132,999
	666,566	580,055	550,338	566,388
	615,841	703,672	853,764	674,474
	520,035	414,913	443,775	402,116
	-	-	-	1,827
	305,221	36,957	69,659	73,648
	225,000	220,000	215,000	160,000
	60,732	65,833	71,324	132,680
	277,407	254,985	242,842	244,573
\$	<u>7,235,984</u>	<u>6,479,474</u>	<u>6,609,656</u>	<u>6,257,209</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 22,318
National School Lunch Program	10.555	FY 11	120,447
National School Lunch Program (non-cash)	10.555	FY 11	21,874
			<u>164,639</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	6985-G-11	88,053
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	RIB1646985	22,620
			<u>110,673</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>33,855</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>5,811</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	45,949
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	40,984
			<u>86,933</u>
Education Jobs Fund	84.410	FY 11	<u>50,580</u>
Area Education Agency 267:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	45,111
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	36,635
			<u>81,746</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>7,000</u>
Total			<u>\$ 541,237</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of West Marshall Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Marshall Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Marshall Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11, II-C-11, and II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about West Marshall Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Marshall Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Marshall Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Marshall Community School District and other parties to whom West Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 8, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
West Marshall Community School District:

Compliance

We have audited West Marshall Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. West Marshall Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Marshall Community School District's management. Our responsibility is to express an opinion on West Marshall Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Marshall Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Marshall Community School District's compliance with those requirements.

In our opinion, West Marshall Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of West Marshall Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Marshall Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over compliance during the course of our audit.

West Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Marshall Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Marshall Community School District and other parties to whom West Marshall Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
November 8, 2011

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Marshall Community School District did not qualify as a low-risk auditee.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. In addition, the same individual prepares, signs and distributes payroll checks.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have assessed this finding and concluded that any further changes would not be cost effective.

Conclusion – Response accepted.

- II-B-11 Financial Accounting – We noted in the course of our audit that the District's Special Revenue Fund, Student Activities and Proprietary Fund, School Nutrition are accounted for using stand-alone spreadsheets, then summarized and incorporated into the District's financial accounting system at year end to facilitate the required Department of Education chart of accounts upload.

Recommendation – The District should incorporate these funds into the financial accounting software system to avoid possible errors in financial statement presentation and to have all financial records centralized in one software system to prevent any possible loss of account history due to any catastrophic computer failure. The employee who currently enters the information into spreadsheet software would enter the same information into the District's accounting software and avoid additional steps at year end.

Response – We will investigate the possibility of making this recommended change. We acknowledge that this change would help avoid any possible inaccuracies and would better protect the underlying information.

Conclusion – Response accepted.

- II-C-11 Activity Gate Reconciliation – We noted in our testing of gate receipts recorded in the Special Revenue Fund, Student Activity Fund that a gate ticket reconciliation for a basketball game had not been prepared.

Recommendation – A gate ticket reconciliation should be prepared for all entry points to an activity, comparing tickets sold to cash received and recorded. Any differences should be investigated.

Response – We will insure that all gate personnel are properly preparing a gate ticket reconciliation.

Conclusion – Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

- II-D-11 Fundraising Activities – We noted in our testing of the Special Revenue Fund, Student Activity receipts that the District does not require reconciliations for fundraising activities.

Recommendation – The District should require and enforce procedures for fundraiser approvals and reconciliations of fundraising receipts claimed to deposits and related expenditures. This will ensure accurate record-keeping and help to protect the underlying assets. The District should consider limiting future fundraiser activities for clubs that do not complete a reconciliation of fundraiser activity in a timely manner.

Response – We have spoken to all sponsors and procedures are now in place to address this problem. We will watch this situation carefully in the future.

Conclusion – Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	5,289,139	
Revenues:				
Sales tax revenues	\$	544,591		
Other local revenues		82,489		
School infrastructure supplemental amount		<u>22,415</u>	<u>649,495</u>	
Expenditures/transfers out:				
School infrastructure construction		3,306,779		
Transfers to other funds:				
Debt Service Fund		<u>674,409</u>	<u>3,981,188</u>	
Ending balance		\$	<u><u>1,957,446</u></u>	

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.15355	\$ 247,705
Physical plant and equipment levy	1.48697	319,301